

The Cost of Living Crisis

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**The Cost-of-Living Crisis (COLC):
Implications for Public Health and the identification of Solutions**

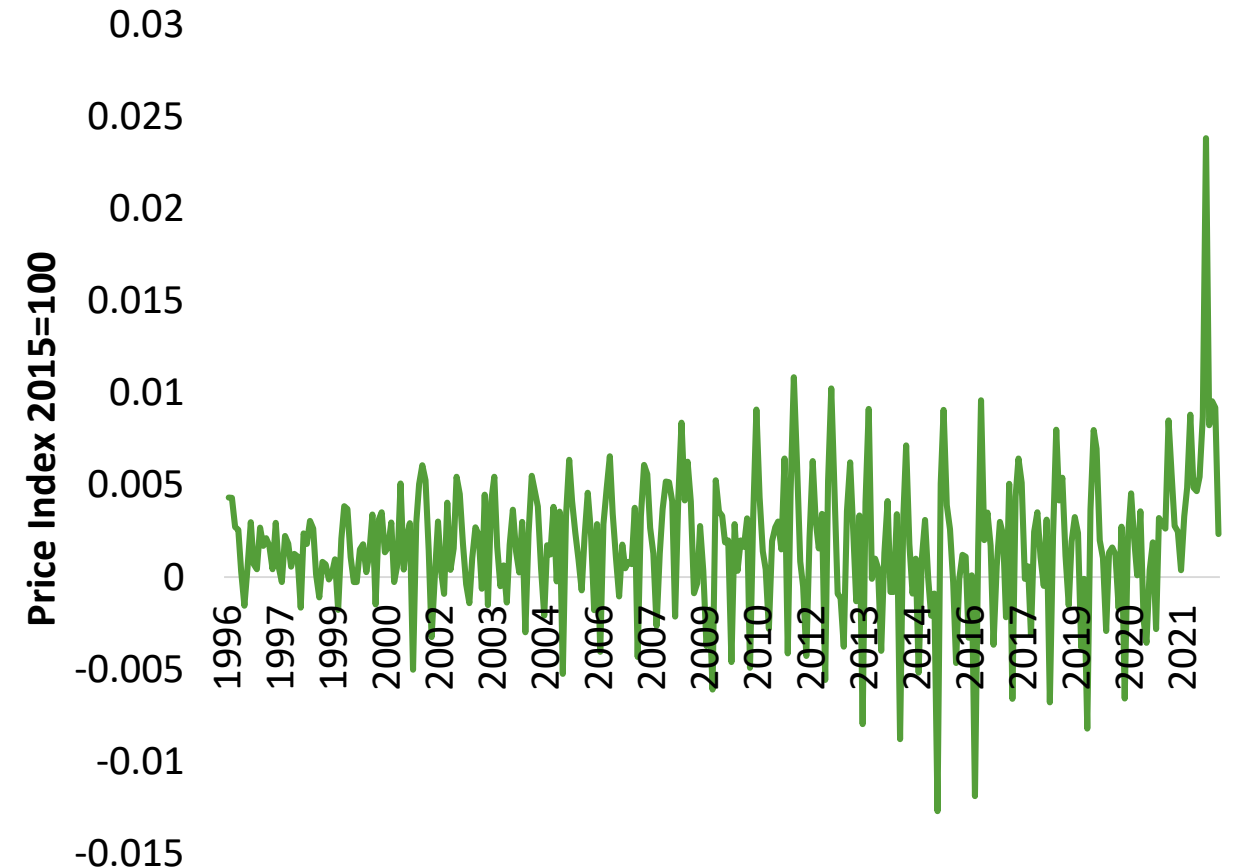
When: 21 September 2022

Time: 12:00- 13:00 CET / 11:00 – 12:00 GMT

INFLATION

- Price Growth since Start of Crisis in early 2021
- Equivalent to Price Growth from 2011-2021 → **10 years price growth in one year**
- **Is higher than any average inflation rate since the 1980's**
- Brings **financial pressure** and **uncertainty** for everyone

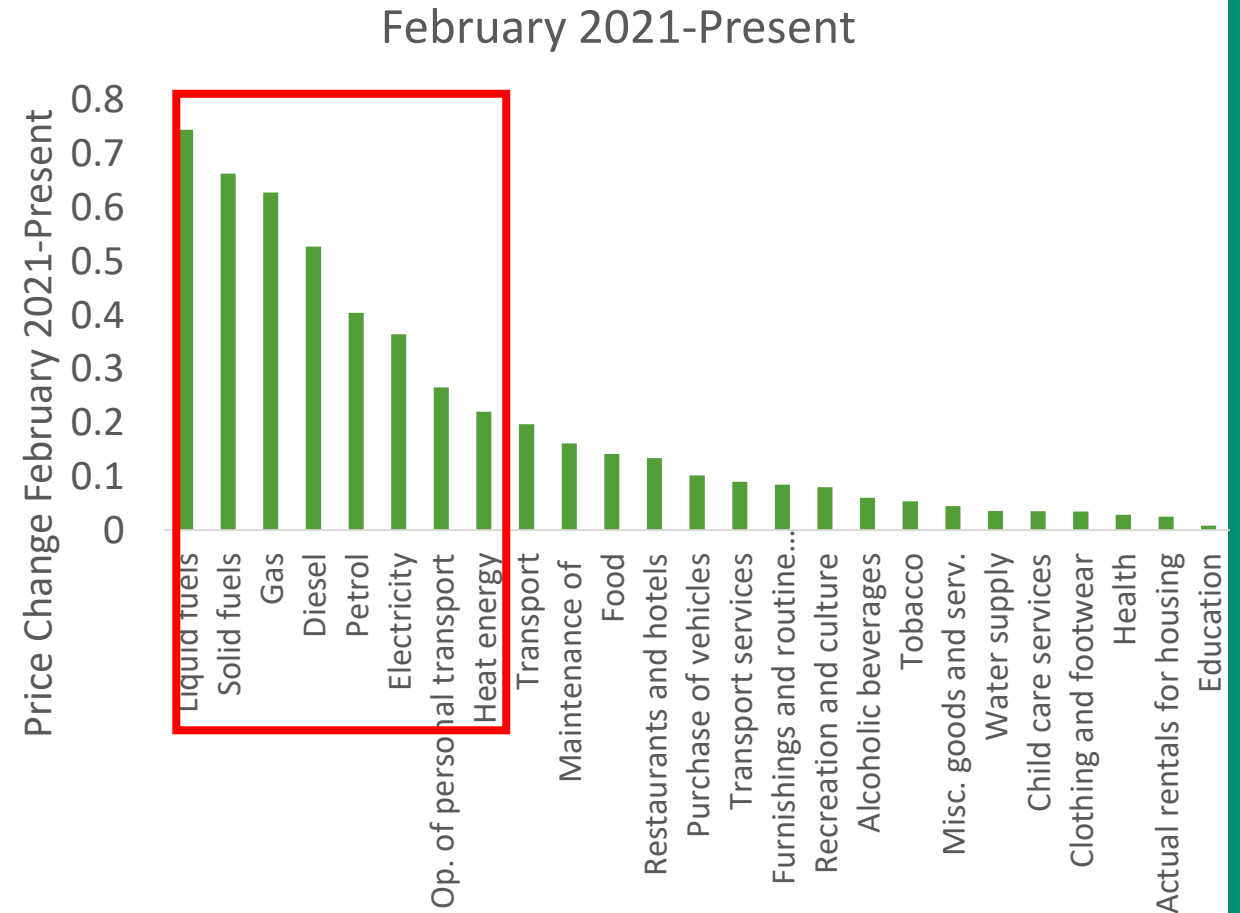
Price Change Over Time European Union



PRICE INFLATION FOR DIFFERENT GOODS

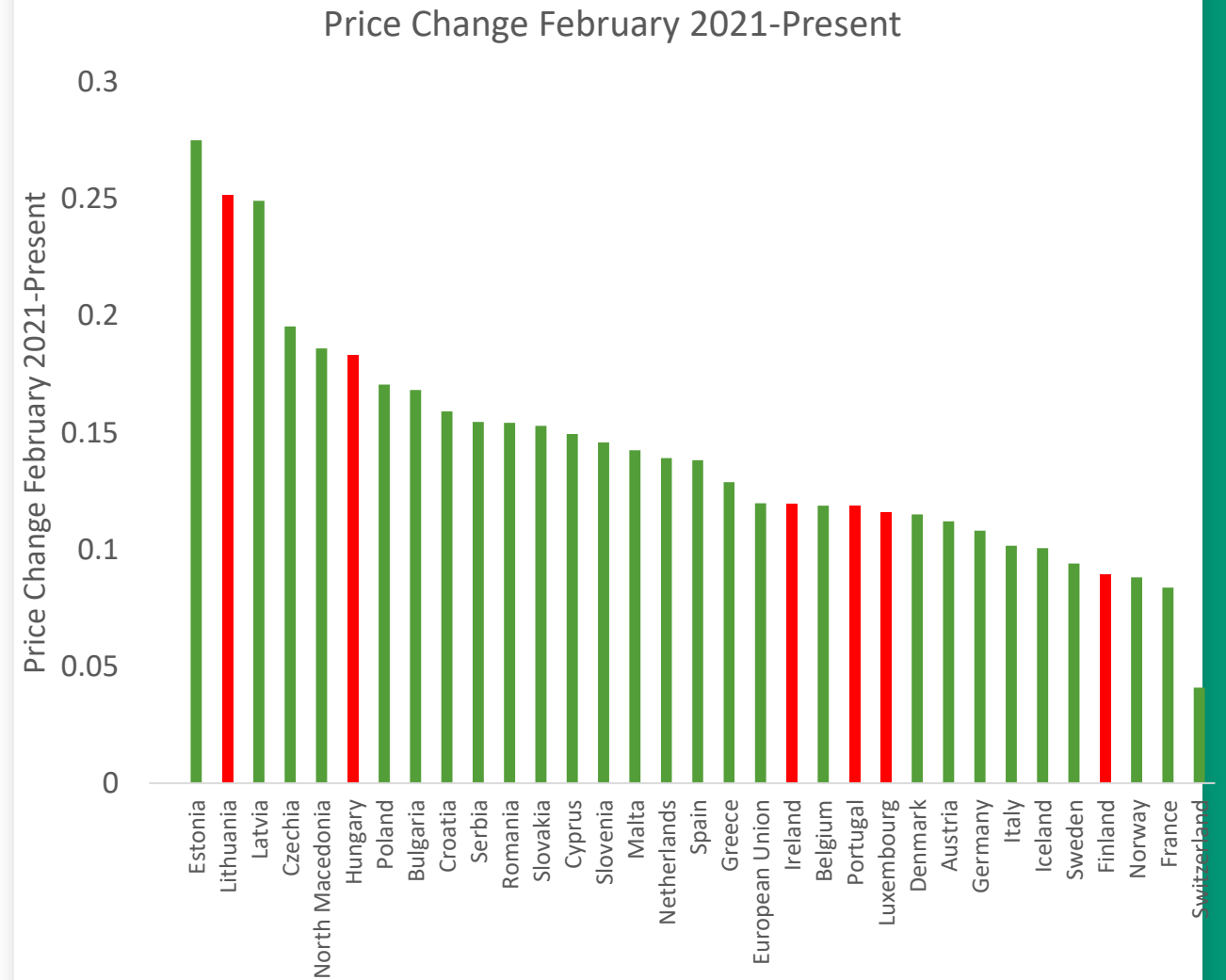
- **Return of Inflation**

- Supply chain issues that resulted from BREXIT and COVID relation disruptions,
- Economic recovery post COVID lock-down
- Mainly fuel price inflation that has resulted from the Ukraine conflict has seen inflation return



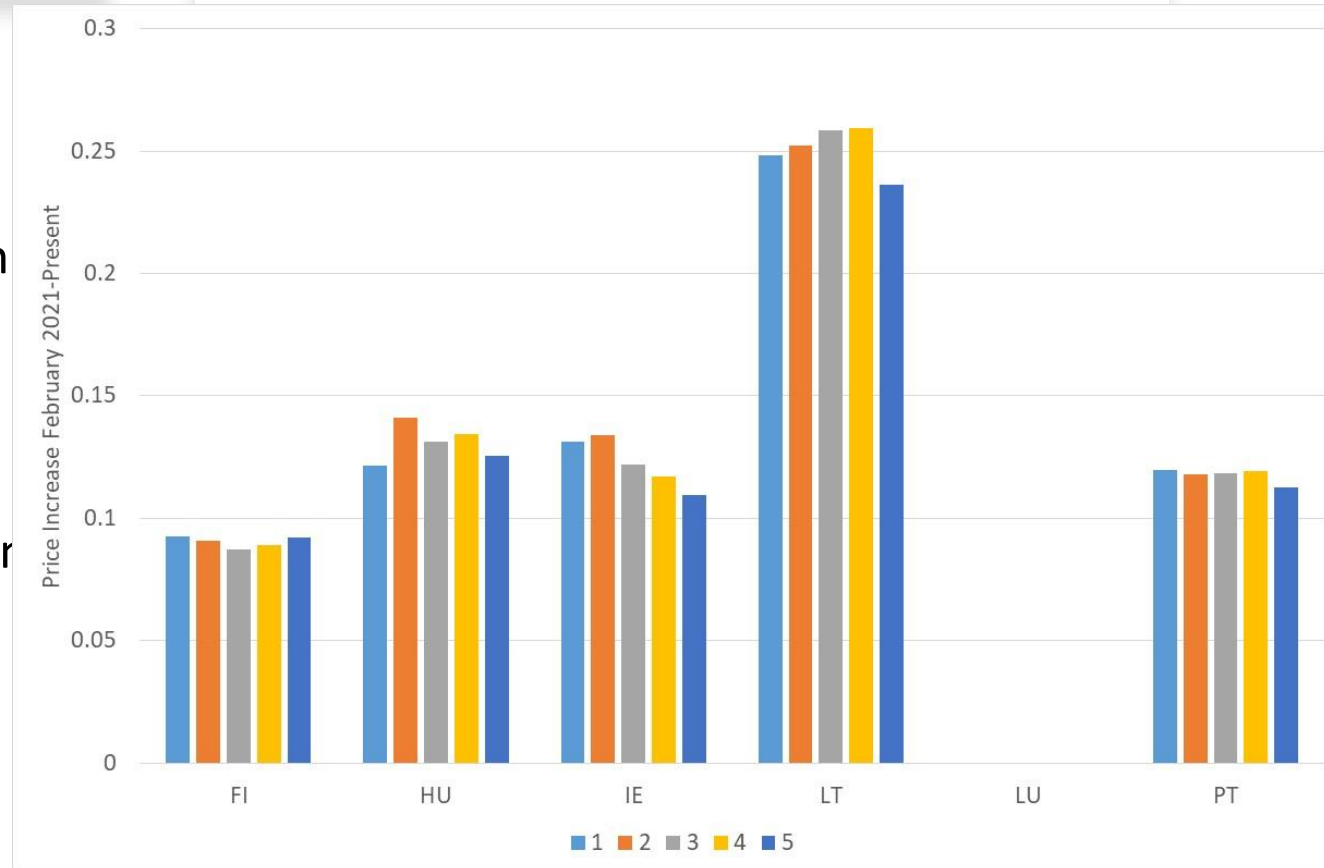
DIFFERENT FOR DIFFERENT COUNTRIES

- Highest Price Rise in Eastern Europe
- Lowest in Nordics
- We will analyse impact for representative countries with different Welfare Regimes across a spread of changes



WHO LOSES

- In general losses are greater at the bottom than the top due to higher share of fuels and food (necessities)
- Price impact across the income distribution varies quite substantially
- Both in terms of level and distributional pattern
- Distributional impact of price depends upon
 - The level of price growth
 - Pattern of expenditure
- One size doesn't fit all!



SIGNIFICANCE OF LOSS

- Rich save more than poor
- They can maintain expenditure by reducing savings or tap into accumulated savings



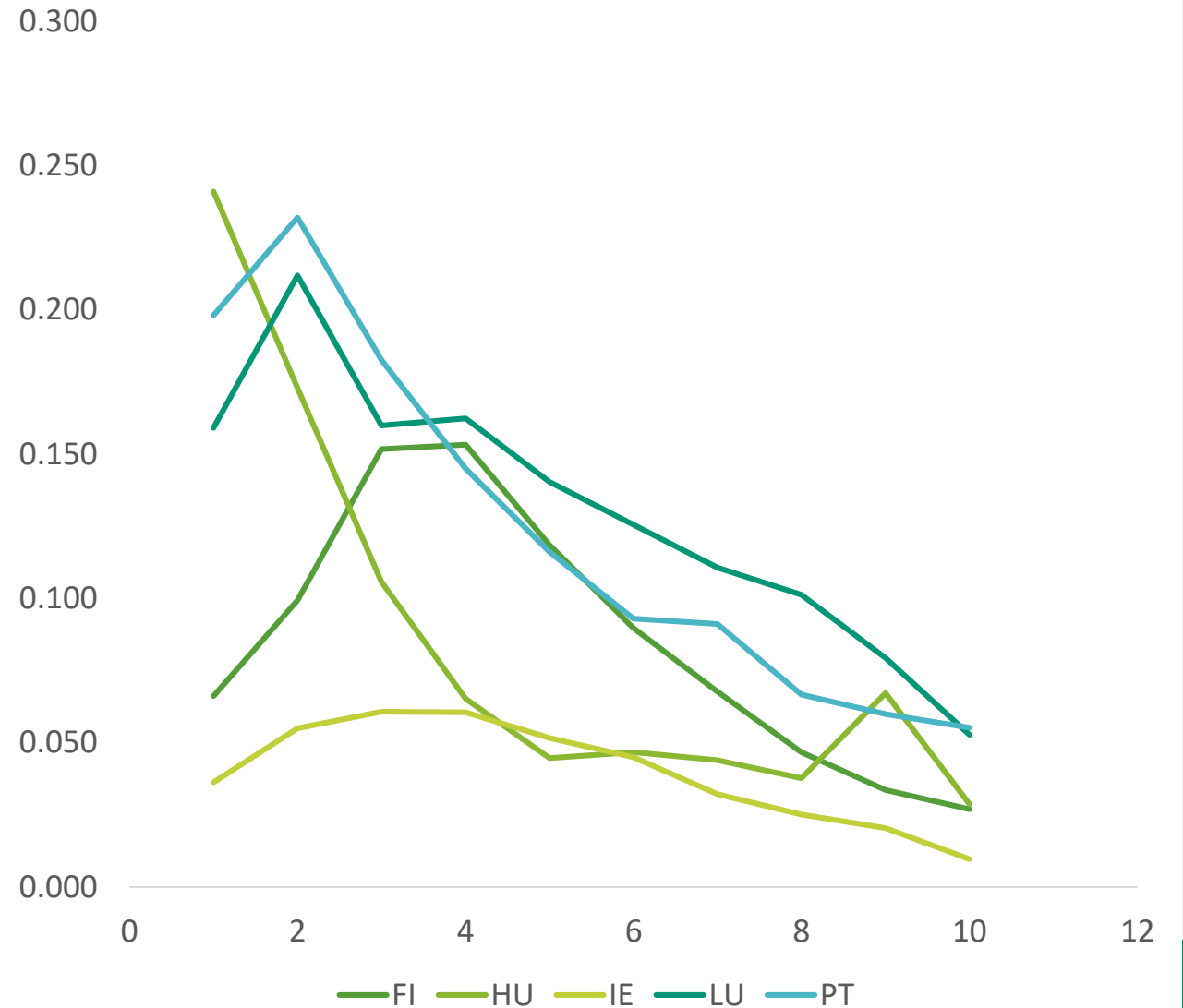


MONETARY POLICY SOLUTIONS

- Increase Interest Rates
 - Painful (hardest hit in brackets)–
 - less investment, expenditure and employment (middle of distribution)
 - Higher interest rates on Mortgages (middle of distribution)
 - Winners
 - Those with Capital Income (Top of Distribution and Pensioners)
 - Those with Fixed Incomes from lower prices (Bottom of Distribution)
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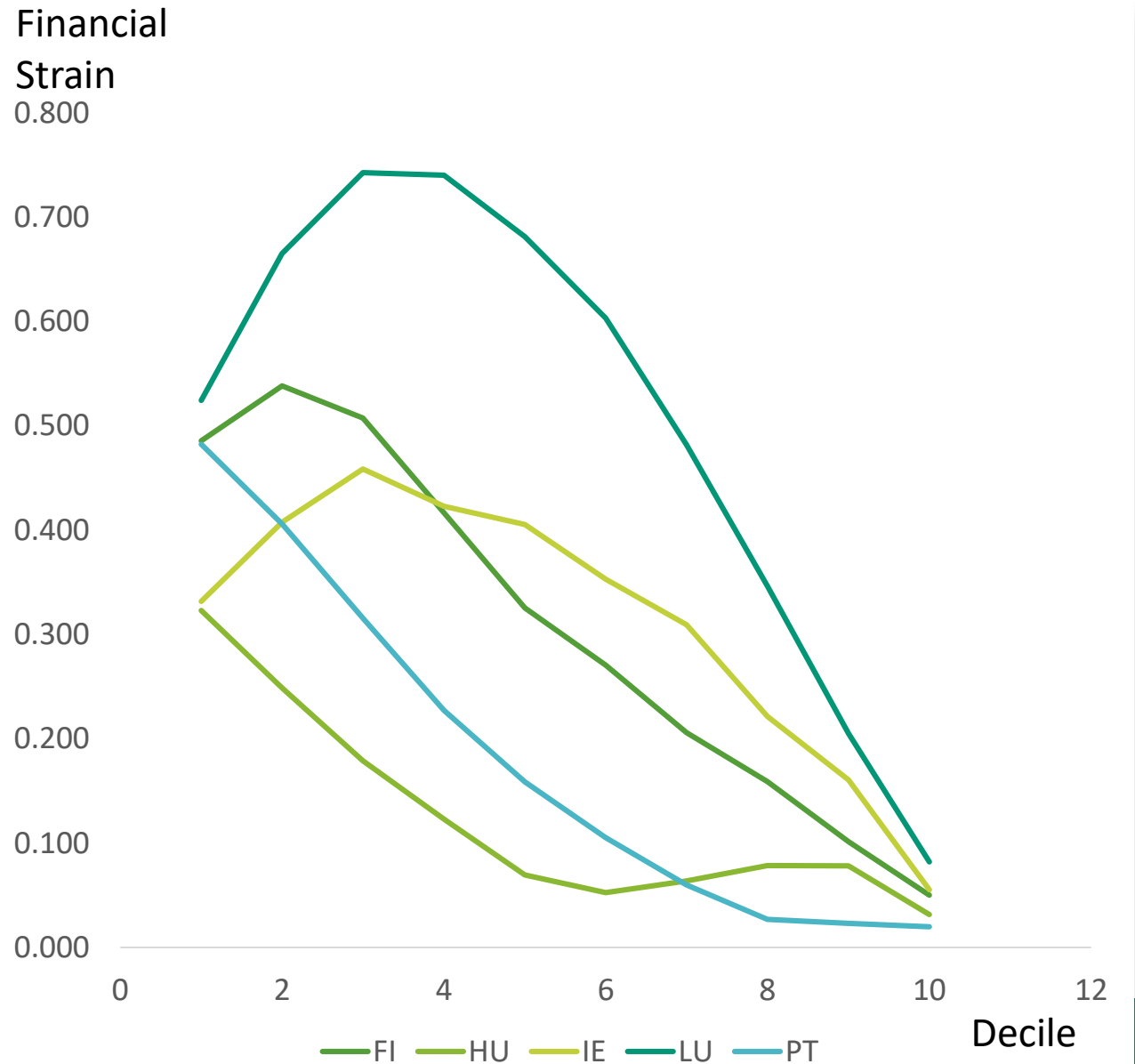
POOR HEALTH INCIDENCE ACROSS THE INCOME DISTRIBUTION

- Strong Distributional Incidence of Poor Health – generally in the bottom of the distribution
- Different country story
- Flattest in Ireland
- Most correlated in Hungary
- Finland more concentrated in middle – impact of disability benefits? Ditto LU and PT



FINANCIAL STRAIN ACROSS THE INCOME DISTRIBUTION

- Unsurprisingly financial strain strongly related with income
- In Luxembourg, Ireland and Finland, the biggest financial strain amongst 2-4 decile “squeezed middle”
- PT and HU more directly related to income

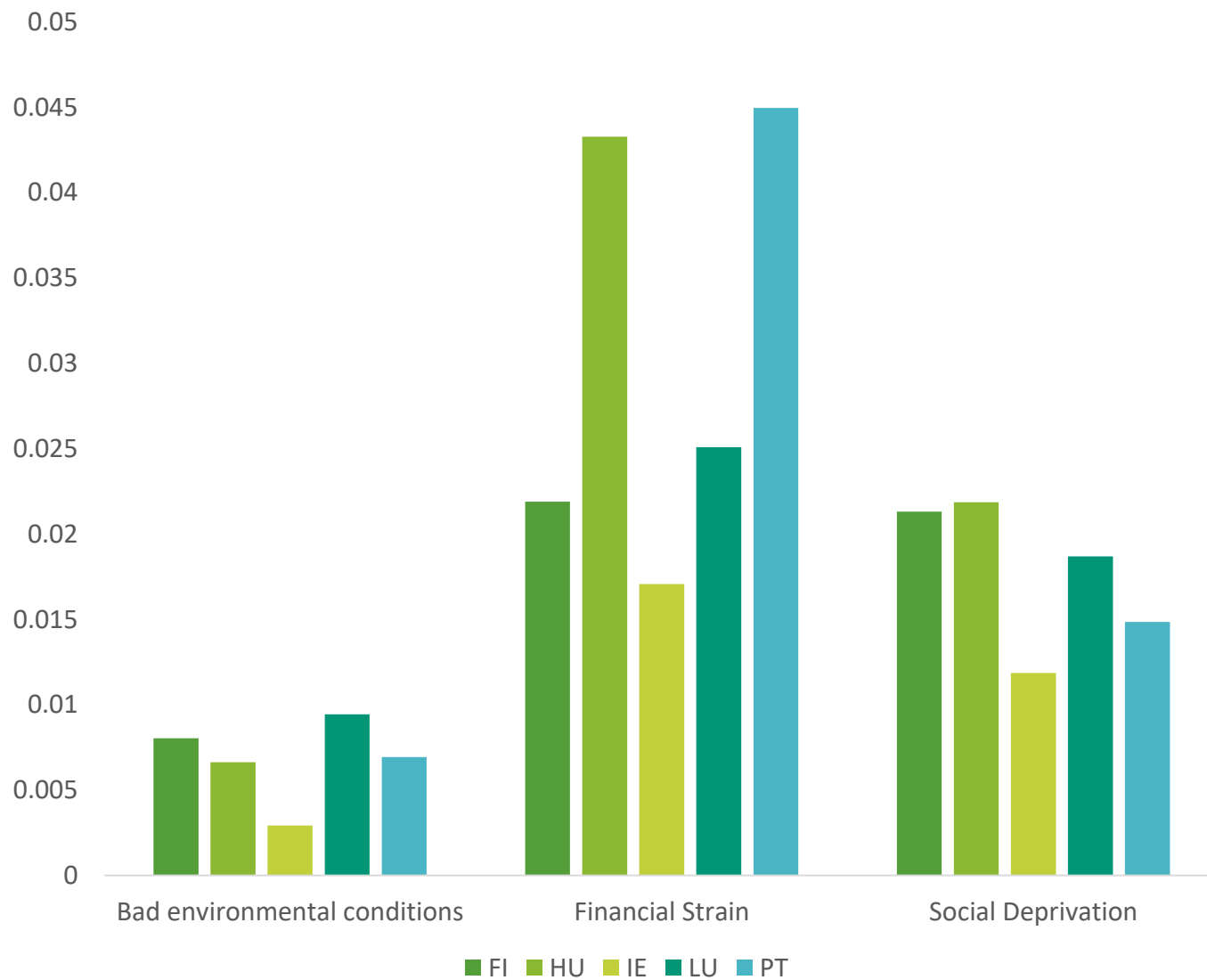


CO-BENEFITS FOR HEALTH

- Relative Importance of
- Financial Strain
- Bad Environmental Conditions
- Social Deprivation
- Positive and Important
- Important Drivers of Poor Health

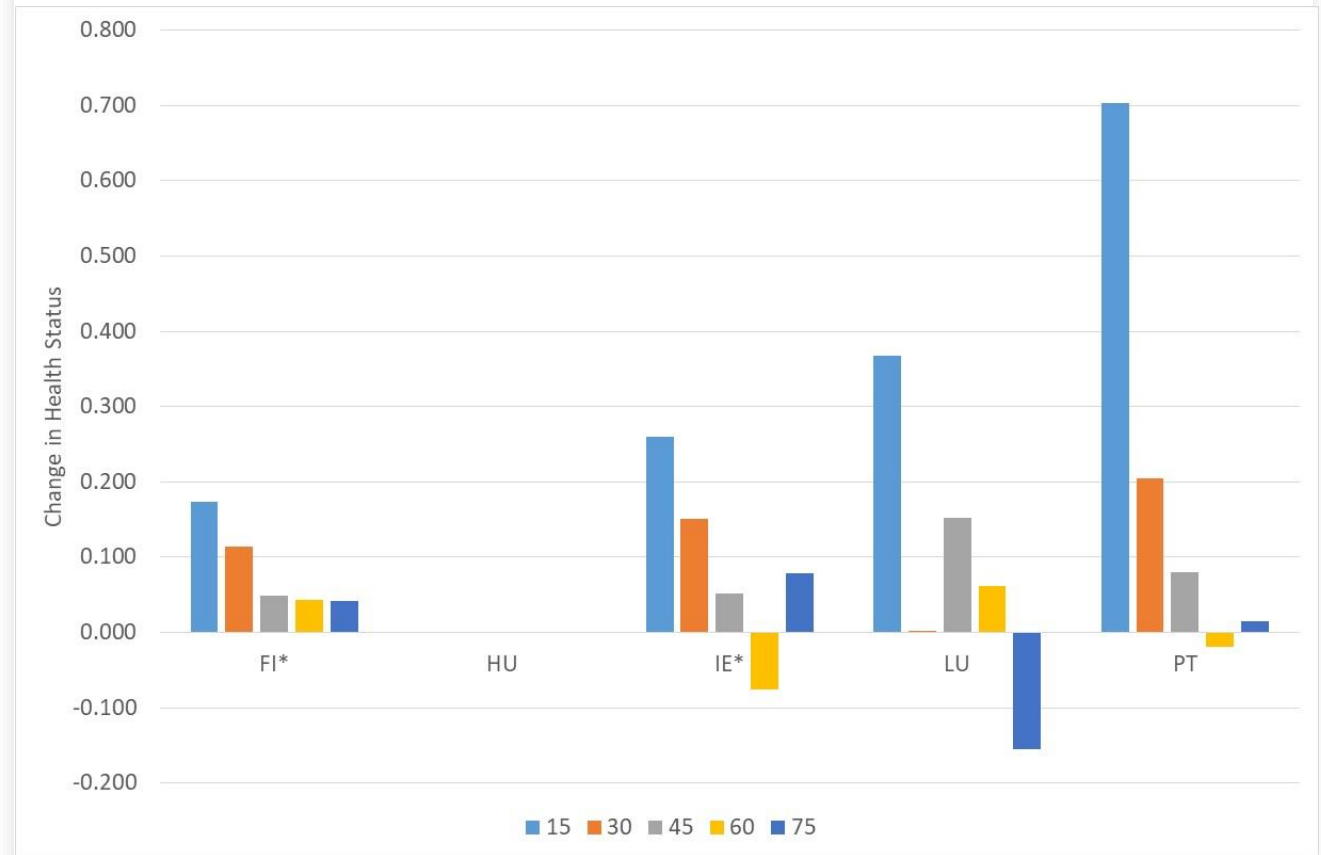


Relationship between Drivers and Health



HEALTH STATUS IN THE FINANCIAL CRISIS

- Increase in Poor Health During Financial Crisis
- Particularly amongst working age
- Strongly associated with Financial Strain



Decile

TRUST IN POLITICIANS OVER TIME

- Trust higher in richer countries
- Negatively impacted by economic downturn
- Significant Drivers
 - Income (HU, IE, LT)
 - Financial Strain (All countries)
 - Employment
 - Happiness
 - More poor health → less trust in government

Source: European Social Survey



POLICY RESPONSE

- We know that
 - Solidarity focused response in COVID protected living standards and enhanced trust in institutions in many countries facilitated by lower interest rates from ECB
 - Austerity focused response in financial crisis saw poorest lose and reduced trust in government
 - Cost of Living Crisis
 - With rising interest rates and cost of debt, pressures in COLC starting to look more like Financial Crisis
 - Need to focus on maintaining living standards of poorest and squeezed middle who as we saw in FC reduce expenditure when under financial strain with consequential health and public trust implications
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Thank you



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